



McBride plc (“McBride”, the “Company” or the “Group”)

Significant price increases now being delivered following rapid and massive input cost inflation

22 February 2022

McBride, the leading European manufacturer and supplier of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets, announces its unaudited interim results for the six months ended 31 December 2021.

Headlines

Business

- Exceptional input cost inflation continued to build across the period, driven by Covid-19 shocks to the global supply chain and rapid and exceptional inflation of key feedstocks
- Early price actions now being supplemented with ongoing price discussions
- ‘Programme Compass’ cost savings are on track, £10m expected in current financial year
- Covid-19 continues to impact demand e.g. laundry volumes remain lower compared to historic levels
- First half revenues at constant currency down 6.6%, with all divisions posting declines compared to Covid-19 affected previous year
- Good progress being made towards achieving our 2025 product sustainability targets and defining our wider environmental, social and governance approach

Financial

- Group revenues of £323.4m (2020: £362.9m), 10.9% lower (6.6% lower at constant currency)
- Adjusted operating loss⁽²⁾ from continuing operations of £14.8m (2020: £19.0m profit)
- Operating loss from continuing operations of £14.7m (2020: £15.6m profit)
- Adjusted loss before tax from continuing operations of £16.9m (2020: £16.9m profit)
- Loss before tax from continuing operations of £16.8m (2020: £13.5m profit)
- Adjusted diluted EPS⁽³⁾ from continuing operations (8.1)p (2020: 7.1p)
- Diluted EPS from continuing operations (8.0)p (2020: 5.4p)
- Dividends: £nil (2020: £nil)
- Net debt⁽⁴⁾ at £124.9m (30 June 2021: £118.4m)
- Net debt/adjusted EBITDA⁽⁶⁾ 10.5x accounting basis (30 June 2021: 2.6x); 4.3x banking covenant basis (30 June 2021: 1.5x). Banking group waived the December 2021 covenant tests.

Chris Smith, Chief Executive Officer, commented:

“The Group is experiencing the most extreme inflationary cost environment probably ever to hit this sector. As we progress through the first part of 2022 it is encouraging that we expect the final quarter of our financial year to see our pricing actions getting closer to maturity and the business returning to close to break-even at an EBITA level and cash-flow neutral.

The outlook is of course heavily dependent on our actions to deliver the outstanding essential price increases currently in discussion with our customers, as well as other external factors such as the development of input costs and other inflationary pressures, and continuing supply chain disruptions.

The Group’s core activities remain strong and the dedication of the entire McBride team to resolve the challenges confronting us is a strong demonstration of our values and the commitment to return the Group to profitability.”

McBride plc

Chris Smith, Chief Executive Officer 0161 203 7401

Mark Strickland, Chief Finance Officer 0161 203 7401

FTI Consulting LLP

Ed Bridges, Nick Hasell 020 3727 1017

The results presentation will be available on the McBride plc investor relations website from 1.00pm today.

£m unless otherwise stated	Half year to 31 Dec 2021	Half Year to 31 Dec 2020	Reported change	Constant currency change ⁽¹⁾
Continuing operations⁽⁸⁾				
Group revenue	323.4	362.9	(10.9)%	(6.6)%
Adjusted operating (loss)/profit ⁽²⁾	(14.8)	19.0	(177.9)%	(184.1)%
Operating (loss)/profit	(14.7)	15.6	(194.2)%	
Adjusted (loss)/profit before taxation	(16.9)	16.9	(200.0)%	(209.0)%
(Loss)/profit before taxation	(16.8)	13.5	(224.4)%	
Adjusted diluted (loss)/earnings per share ⁽³⁾	(8.1)p	7.1p	(214.1)%	
Diluted (loss)/earnings per share	(8.0)p	5.4p	(248.1)%	
Total operations				
Group revenue	323.4	362.9	(10.9)%	(6.6)%
Adjusted operating (loss)/profit ⁽²⁾	(14.8)	19.0	(177.9)%	(184.1)%
Operating (loss)/profit	(14.7)	15.4	(195.5)%	
Adjusted (loss)/profit before taxation	(16.9)	16.9	(200.0)%	(209.0)%
(Loss)/profit before taxation	(16.8)	13.3	(226.3)%	
Adjusted diluted (loss)/earnings per share ⁽³⁾	(8.1)p	7.1p	(214.1)%	
Diluted (loss)/earnings per share	(8.0)p	5.3p	(250.9)%	
Net debt ^(4,7)	124.9	118.4		
Adjusted return on capital employed ⁽⁵⁾	(4.6)%	16.0%		

¹Comparatives translated at 31 December 2021 exchange rates.

²Adjustments were made for the amortisation of intangible assets and exceptional items.

³Adjustments were made for the amortisation of intangible assets, exceptional items and any related tax.

⁴Net debt comprises cash and cash equivalents, overdraft, bank and other loans and lease liabilities.

⁵Rolling twelve months adjusted operating profit from continuing operations as a percentage of average period-end capital employed. Capital employed is defined as property, plant and equipment, intangible assets, right-of-use assets, current trade and other receivables less current trade and other payables.

⁶Net debt divided by rolling twelve months adjusted operating profit. Adjustments were made for the amortisation of intangible assets, exceptional items and depreciation.

⁷Net debt is at 30 June 2021, all other comparatives refer to the six months ended 31 December 2020 unless otherwise stated.

⁸During the 2019 financial year, the Group successfully completed the sale of the European Personal Care (PC) Liquids business. The financial results of this business have been treated as discontinued operations. The remaining activities within the Group are referred to as continuing operations.

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The Company does not undertake any obligation to update or keep current the information contained in this announcement, including any forward-looking statements, or to correct any inaccuracies which may become apparent and any opinions expressed in it are subject to change without notice.

References in this announcement to other reports or materials, such as a website address, have been provided to direct the reader to other sources of information on McBride plc which may be of interest. Neither the content of McBride's website nor any website accessible by hyperlinks from McBride's website nor any additional materials contained or accessible thereon, are incorporated in, or form part of, this announcement.

Overall business performance

Half-year Group revenues of £323.4 million were 6.6% lower on a constant currency basis, when compared to the same period last year, which benefited from particularly strong initial Covid-19 related demand in key categories. When compared to the second half of FY21, revenues were 2.6% higher at constant currency. The influence of skewed demand from changing consumer behaviour resulting from Covid-19 through the past two years makes inter-year comparisons difficult. Volumes in the period are 3.0% lower than H1 FY20, the last reported six month period before the pandemic hit. This fall is entirely down to laundry categories which, according to external data has seen a fall in total market demand since 2019, with the Group's cleaners and dish volumes at or above the 2019 level.

Adjusted operating profit for the first half reduced by £33.8 million to a loss of £14.8 million (2020: £19.0 million profit) predominantly due to exceptional raw material, packaging and logistics cost increases. McBride has been actively engaged with all its customers to secure substantial price increases to mitigate the impact of these exceptional cost rises affecting the whole industry. Our early increases in late summer have now been outpaced by further rises in input costs and hence further pricing actions have taken place. It is pleasing to see the support of customers to these price increase requests with the effect of these further increases starting to benefit trading in December 2021 and delivering more fully from January 2022 onwards.

Raw material availability issues and the shortage of haulage capacity presented further challenges to our supply chain efficiency and negatively impacted customer service levels. Despite all these uncertainties and supply chain disruptions, the Group's manufacturing facilities and logistics activities have shown strong resilience and we have worked tirelessly to maintain the best possible customer service under the circumstances. It is also pleasing to note that Covid-19 restrictions that significantly impacted our Asia Pacific operations eased towards the end of the first half and our new facility in Malaysia has now fully ramped up production.

The Group remains on track to deliver in year the £10 million of savings identified from the Compass strategy work. With the tough trading environment set to continue, we are developing a series of further cost opportunities through improved efficiency and effectiveness of core business activities.

Divisional portfolio performance

	Half year to 31 Dec 2021 £m	Half year to 31 Dec 2020 £m	Reported change	Constant currency ⁽¹⁾
Revenue				
Liquids	182.8	201.1	(9.1%)	(4.9%)
Unit Dosing	81.6	93.9	(13.1%)	(8.7%)
Powders	32.8	35.7	(8.1%)	(3.8%)
Aerosols	15.8	18.8	(16.0%)	(10.7%)
Asia Pacific	10.4	13.4	(22.4%)	(18.8%)
Group	323.4	362.9	(10.9%)	(6.6%)

	Half year to 31 Dec 2021 £m	Half year to 31 Dec 2020 £m	Reported change	Constant currency ⁽¹⁾
Adjusted operating (loss)/profit				
Liquids	(10.2)	10.1	(201.0%)	(207.4%)
Unit Dosing	(0.4)	10.0	(104.0%)	(104.3%)
Powders	(1.4)	(1.0)	40.0%	55.6%
Aerosols	(0.8)	0.9	(188.9%)	(200.0%)
Asia Pacific	0.2	1.7	(88.2%)	(87.5%)
Corporate	(2.2)	(2.7)	(18.5%)	(18.5%)
Group	(14.8)	19.0	(177.9%)	(184.1%)

Liquids performance review

Liquids revenues of £182.8m were 4.9% lower on a constant currency basis, driven by lower volumes in the private label cleaners category. The adjusted operating loss of £10.2m was significantly weaker than the prior year performance (2020: £10.1m profit) due primarily to exceptional increases in raw material, packaging and logistics costs.

Covid-19 continues to significantly impact the demand for Liquids products. Sales of cleaners in the first half were down compared to the equivalent prior year period when home cleaning habits changed during the earlier stages of the pandemic. Conversely, laundry revenues saw some rebound as consumers spent less time at home compared to the prior year period that was dominated by lockdowns, curfews and home working. Comparing to two years ago, which was the period prior to the Covid-19 pandemic, first half sales were just 1.7% lower, with sales of cleaners higher, but with laundry revenues lower, driven by changes in consumer behaviour, but also due to the loss of a UK customer contract.

Adjusted operating profit decreased due to three main factors: the unprecedented increases in raw material, packaging and logistics costs, which have continued to worsen since the fourth quarter of the prior year; Covid-19 driven decline in cleaners sales; and lost contract manufacturing volumes. In line with our 'Cost Leadership' strategic imperative, these negative year-over-year impacts were partially offset by Programme Compass cost savings, which landed in the second half of the prior year, and the first impacts of price increases negotiated with customers to recover the exceptional cost impacts.

Covid-19 related disruptions to supply markets continue to create raw material availability issues, unavailability of shipping containers and shortage of truck drivers, with the consequence of supply reliability issues and extreme increases in material and transport costs. The main driver of the material cost rises for the Liquids division were plastics and surfactants. Sizeable energy price increases are also expected imminently, which will require further pricing recovery actions.

Unit Dosing performance review

Unit Dosing revenues of £81.6m were 8.7% lower on a constant currency basis. The decline was largely driven by laundry capsules, due to the impact of earlier contract losses. Dishwashing revenues were flat year-over-year as they were constrained by some raw material shortages and certain equipment reliability issues. Adjusted operating loss was £0.4m, driven by exceptional increases in raw material, packaging and logistics costs which could not immediately be offset with price increases. The main drivers of the exceptional input cost inflation were citrates and phosphonates.

Despite very challenging business conditions, we have made good progress against our 'Product Leadership' strategic imperative. We have taken positive steps in our efforts to turnaround the laundry capsules business, which has underperformed in recent years. In the last 12 months we have improved our product offering, and we expect that, by the end of FY22, our monthly sales rates will be positive compared to the prior year. Recent Unit Dosing product launches include a new range of 'mono' & 'triple' capsules, child-safe carton packaging for capsules and a new 'fusion' powder and liquid auto dishwashing pod. We have also introduced internal capability to produce bottle refill tabs for all purpose cleaners, which though currently small in revenue terms, will contribute to future growth.

For the remainder of FY22, our top priority will continue to be our efforts to offset increased input costs through price increases and productivity programmes. We expect our top-line to strengthen gradually during the second half of FY22, due to new contract wins in auto dishwashing tablets.

Powders performance review

Powders revenues of £32.8m were 3.8% lower on a constant currency basis, despite contract manufacturing revenues increasing, confirming the relevance of our operations to branders and the professional cleaning market.

Our private label revenues were down across all geographies. The environment in which we are trading today is presenting new challenges such as lower promotional activities for our private label categories; further acceleration in the decline in laundry tablets, with shoppers continuing to switch to laundry capsules, and exceptional increases in raw material, packaging and logistics costs. Despite continued uncertainty around Covid-19, volumes have recovered slightly with industrial and institutional customers, while the retail channel showed a mix of small gains versus some range delistings.

Adjusted operating loss of £1.4m was £0.4m higher than prior year, as the impact of exceptional increases in raw material, packaging and logistics costs more than outweighed the operational cost savings that have been achieved by optimising our divisional footprint, in line with our 'Cost Leadership' strategic imperative.

Our new divisional structure is fully in place and is giving us the ability to tackle the current challenges. It should be noted that the first half year has not seen the full benefits of the price increases negotiated with customers to pass on the exceptional cost impacts. The second half is expected to realise a fuller recovery of the negative cost effects.

We remain focused on further developing the business through a platform that is delivering new product developments and packaging solutions for both private label and contract manufacturing customers.

Aerosols performance review

Aerosols revenues of £15.8 million, were 10.7% lower on a constant currency basis. This decline is fully explained by lower sales of aerosol-based sanitising products. These gels and sprays for hands and surfaces saw exceptional demand in the early part of the Covid-19 pandemic. Sales in the first quarter of the prior year were strong, but thereafter the market soon became saturated by hand sanitising products and demand slowed.

Adjusted operating loss of £0.8m was lower than prior year (2020: £0.9m profit), driven by the lower sales of aerosol-based sanitising products and the exceptional increases in raw material, packaging and logistics costs which we were not immediately able to offset through price increases to our customers. In the second half we will deliver overhead and productivity savings, while also implementing price increases with customers to pass on the exceptional cost impacts we have incurred.

Asia Pacific performance review

The Asia Pacific division came through a hugely disrupted period during the first half of FY22. Revenues of £10.4m were 18.8% lower on a constant currency basis and adjusted operating profit of £0.2m was £1.4m lower than the prior year.

Asia Pacific was harder hit by Covid-19 in the first half than the European divisions. Sales were negatively impacted due to changes in shoppers' ability to access normal retail channels, with lockdown enforced closures ranging from the traditional outdoor markets in Vietnam to the modern shopping complexes of Malaysia.

The lockdowns also led to government restriction on number of employees allowed to attend work at the factory, which affected our capacity to produce and deliver to customers.

In Asia Pacific the business started to recover from the second quarter onwards, with sales increasing in our key products sectors and within our major markets. Our new factory in Malaysia is now fully operational, and we are making progress on improving efficiencies and staff recruitment,

retention and training. We have also had success in winning new contracts in Australia on personal care products from the new factory, which will come on stream in the fourth quarter.

Input prices

Through the first half of the financial year we saw a further escalation in input costs, with the prices of a large number of key feedstocks hitting all-time or multiple-year highs. For example, compared to one year earlier, the December 2021 price of natural alcohol was 70% higher; polyethylene terephthalate (PET) and the key paper feedstock were both 53% higher and HDPE was 47% higher. Across the entire range of raw materials and packaging, we expect total costs to have risen by 37% between December 2020 and April 2022.

Covid-19 related global supply chain disruptions have continued to impact availability and costs of ocean freight and HGV drivers. Multiple force majeure events have caused additional pricing pressures in many areas, as have the energy prices that surged in October-December 2021 to previously unseen levels.

Logistics costs

Due to a number of market factors, distribution costs have been subject to significant cost inflation compared to last year. Brexit, EU 'mobility package' transport legislation and the Covid-19 pandemic have all had negative impacts on the availability of drivers within the haulage industry throughout the year. This, along with surging fuel costs, led to significant cost inflation in the transport market. We have had to adjust our transport activities to protect our customers from the impact of lower availability of transport and in some cases have had to pay more to secure the appropriate logistics services.

In the first half year, we completed the planned changes to our warehouse network, in line with our distribution strategy and have started the roll-out of our new transport management system.

Covid-19

Throughout these past two years, our main priority has remained the safety, well-being and welfare of our colleagues and their families. We have continued with the initiatives to support our teams with the 'McBride Cares' programme of helplines, on-line self-help and pro-active engagement with colleagues across the business.

The factories in Europe have seen minimal levels of outages due to staff availability, with excellent responses to absenteeism where attendance has been reduced due to isolation. In Malaysia, we had to close the factory for a number of weeks due to government restrictions and as a result of reduced labour pools the plant was not able to operate fully for some months. In Vietnam, movement restrictions meant reduced operational activity for many weeks.

The strained supply chains resulting from the pandemic have been a constant challenge across the business with material shortages, extended lead times, poor freight availability and warehousing labour gaps. As well as the impact on customer service and operational efficiency, the feed into input cost inflation has been rapid.

Absenteeism overall has not deteriorated in the period and the business is indebted to the entire McBride team for the resilience, determination and agility in dealing with such challenging times.

Group operating results

The half-year operating loss was £14.7 million (2020: £15.6m profit). This includes amortisation of £1.3 million and an exceptional credit of £1.4 million.

The half-year adjusted operating loss of £14.8 million (2020: £19.0 million profit) was due primarily to exceptional raw material, packaging and logistics cost rises which were unable to be recovered in price increases in the first half. Adjusted operating profit margin decreased from 5.2% to an operating loss margin of 4.6%.

Central and PLC costs were £13.8 million, a fall of 11.1% from the prior year at constant currency (2020: £15.6m).

Group EBITDA

Half year adjusted EBITDA loss of £4.3 million (2020: £29.3m profit) reflected the tough trading conditions described above.

Exceptional items

A total exceptional credit of £1.4 million was recorded during the period in relation to continuing operations (2020: £2.2m charge). The total exceptional net credit comprised the following:

- a credit of £1.5 million comprising £1.8 million profit on the disposal of the closed Barrow site, the sale proceeds for which were £2.6 million, and £0.3 million of site closure costs;
- a credit of £0.1 million relating to the release of excess redundancy provisions in respect of Programme Compass;
- a charge of £0.1 million relating to the Group's logistics transformation programme; and
- a charge of £0.1 million in respect of legacy costs in relation to the former UK Aerosols site in Hull.

Finance costs

At £2.1 million, finance costs remained unchanged (2020: £2.1m).

Profit before tax and taxation

Reported loss before taxation from continuing operations was £16.8 million (2020: £13.5m profit). Adjusted loss before taxation from continuing operations was £16.9 million (2020: £16.9m profit), a decrease of £33.8 million. The tax credit on continuing adjusted profit before tax for the period is £2.8 million (2020: £3.9 million charge) and the effective tax rate is 17% (2020: 23%). The tax credit is a result of a £2.0 million credit in respect of deferred tax asset recognition on losses. The effective tax rate is lower than the previous year due to substantial losses in the UK offset by profits taxed at higher rates in foreign jurisdictions.

The statutory effective tax rate on continuing operations for the period is 18% (2020: 27%). The Group forecasts an adjusted effective tax rate for the full year of 11%. The impact on the effective tax rate for the Group as a result of the new divisional structure is currently being assessed, but is not expected to be significant.

Earnings per share

On an adjusted basis, diluted earnings per share (EPS) from continuing operations was a loss of (8.1) pence (2020: 7.1p). Total adjusted diluted EPS decreased to a loss of (8.1) pence (2020: 7.1p), with basic EPS at a loss of (8.0) pence (2020: 5.3p).

Payments to shareholders

In 2021, the Group set its distribution to shareholders policy, where annual distributions are only to be declared following the financial year end and subject to the accounting basis of net debt/adjusted EBITDA being 2x or less. Hence at this interim stage there is no distribution.

During the period to 31 December 2021, the Group had purchased and cancelled 185,374 ordinary shares. The shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. The total cost of £0.1 million was deducted from equity. As disclosed in the McBride plc 2021 Annual Report and Accounts, the Board ended the share buy-back programme on 7 September 2021.

Cash flow and balance sheet

	Half year to 31 Dec 2021 £m	Half year to 31 Dec 2020 £m	Full year to 30 June 2021 £m
Adjusted EBITDA	(4.3)	29.3	45.5
Working capital excluding provisions and pensions	8.4	(13.4)	(9.4)
Share-based payments and loss/profit on disposal of fixed assets	0.8	0.2	0.7
Non-exceptional (write-back)/impairment	(0.1)	0.1	0.3
Pension deficit reduction contributions	(2.0)	(2.0)	(4.0)
Cash generated from operations before exceptional items	2.8	14.2	33.1
Exceptional items and tax paid	0.9	(8.7)	(15.3)
Capital expenditure including capital payments on lease liabilities less proceeds from sale of fixed assets	(8.8)	(15.7)	(28.5)
Interest on borrowings and lease liabilities less interest receivable	(1.6)	(1.6)	(3.2)
Debt financing and refinancing activities	17.3	(7.9)	1.1
Other items – settlement of derivatives	—	0.8	3.8
Free cash flow to equity	10.6	(18.9)	(9.0)
Dividends paid/redemption of B shares	(0.1)	(1.7)	(2.0)
Share buy-back	(0.1)	(1.5)	(6.8)
Purchase of own shares held by employee benefit trust	—	—	(0.3)
Net increase/(decrease) in cash and cash equivalents	10.4	(22.1)	(18.1)
Cash Conversion⁽¹⁾ (%)	nm	48%	73%

Cash generated from continuing operations before exceptional items during the half year was £2.8 million (2020: £14.2m). Cash conversion⁽¹⁾ reflects the reduction in EBITDA partially offset by a positive working capital movement.

During the period, capital expenditure, including capital payments on lease liabilities less proceeds from the sale of fixed assets, decreased to £8.8 million (2020: £15.7m) in cash terms.

The Group's net assets decreased to £61.5 million (30 June 2021: £69.8m). Gearing⁽²⁾ at 31 December was relatively unchanged at 67% (30 June 2021: 66%) and adjusted return on capital employed of (4.6)% was lower compared to the prior year (30 June 2021: 11.5%).

1. Cash generated from operations before exceptional items as a percentage of adjusted EBITDA.

2. Gearing is defined as the ratio of net debt/average year-end capital.

Bank facilities and net debt

Net debt at the half-year increased to £124.9 million (30 June 2021: £118.4m). Net debt, excluding IFRS 16 increased by £5.0 million to £112.1 million (30 June 2021: £107.1m).

The Group has a €175 million revolving credit facility (RCF) that is committed until 30 September 2026. At 31 December 2021, the amount undrawn on the facility was €69.4 million (30 June 2021: €87.0m).

The Group's RCF funding arrangements are subject to banking covenants, representations and warranties that are customary for unsecured borrowing facilities, including two financial covenants: debt cover (the ratio of net debt to EBITDA) may not exceed 3.0x (times) and interest cover (the ratio of EBITDA to net interest) may not be less than 4.0x (times). For the purpose of these calculations, net debt excludes IFRS 16 leases and amounts drawn under the Group's invoice discounting facilities. As at 31 December 2021, the debt cover ratio under the RCF funding arrangements was 4.3x (30 June 2021: 1.5x) and the interest cover was 3.6x (30 June 2021: 11.0x). As announced on 22 December 2021, our banking group waived the December 2021 covenant tests.

In reaching the agreement of the waiver, the Group has agreed to maintain liquidity (cash plus facility headroom) of at least £40 million. Furthermore, the Group has agreed not to pay dividends until it is in compliance with its existing covenants.

We are fully appreciative of the ongoing support that the banking group are giving to the Group through this period of uncertainty caused by the rapid and unprecedented rise in input costs and the ongoing macroeconomic supply chain challenges.

At 31 December 2021, the Group had a number of facilities whereby it could borrow against certain of its trade receivables. In the UK, the Group had a £20 million facility that was committed until October 2022. In France and Belgium, the Group had an aggregate €30 million facility, which had a rolling notice period of six months for the French part and three months for the Belgian part. In Germany, the Group had a €35 million facility that is committed until December 2024. The Group can borrow from the provider of the relevant facility up to the lower of the facility limit and the value of the respective receivables.

The Group also has access to uncommitted working capital facilities amounting to £22.4 million at 31 December 2021 (30 June 2021: £44.3m). At 31 December 2021, £1.4 million (30 June 2021: £5.9m) was drawn against these facilities in the form of overdrafts and short-term borrowings.

Pensions

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a defined benefit scheme, which is closed to new members and to future accrual, and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned. At 31 December 2021, the Group recognised a deficit on its UK scheme of £20.6 million (30 June 2021: £29.3m). The £8.7m deficit reduction since 30 June 2021 was driven by higher asset valuations, due to positive investment returns in the period.

The Group has other unfunded post-employment benefit obligations outside the UK that amounted to £2.8 million (30 June 2021: £2.6m).

Environmental, social and governance

As previously reported, this current year has been focused on developing the framework for our ESG priorities, establishing our metrics and ultimately targets, whilst continuing to deliver on the 2025 targets in product sustainability.

We have completed our first ESG dashboard and are currently compiling data in support of the key priorities, which we expect to have concluded by the end of the financial year.

We have recently completed the submission of the final data to establish our corporate carbon footprint with the results to be reviewed in the coming months, from which we will begin to compile our carbon reduction targets. Progress on the 2025 product sustainability targets continues with a number of new sustainable product launches and new packaging formats.

We are also preparing to report against the Taskforce on Climate-related Financial Disclosures (TCFD) framework for the first time in our 2022 Annual Report and Accounts.

Principal risks and uncertainties

The Group is subject to risk factors both internal and external to its business, and has a well-established set of risk management procedures. The following risks and uncertainties are those that the Directors believe could have the most significant impact on the Group's business:

- Consumer and customer trends;
- Input costs and supplier reliability;
- Market competitiveness;
- Product legislation and regulations;

- Financial risks;
- IT security, systems and technologies;
- Climate change and environmental concerns; and
- Increased regulatory and reporting requirements.

Current trading and outlook

Trading in the early part of 2022 has been slightly ahead of our most recent internal expectations and our current outlook is for H2 FY22 trading results to show an improvement overall compared to the first half year. For the final quarter of our financial year ending 30 June 2022, we expect to see our pricing actions getting closer to maturity and the business returning close to break-even at an EBITA level before moving onto modest profits in the new financial year.

We remain focused on the delivery of our cost savings targets and are developing a series of further cost opportunities through improved efficiency and effectiveness of core business activities.

This outlook is predicated on a number of key assumptions within an extremely difficult overall trading environment. Our pricing actions are still ongoing at this time across all countries, with the main focus being recovery of material input cost rises in the final quarter. As with all pricing actions, we remain cautious on the risk to volumes as our customers manage the price positioning of their products in this period of exceptionally strong inflation.

We anticipate input costs to broadly stay in line with our December 2021 estimate through to the early summer, although the outcome of current geo-political tensions, and ongoing supply and demand mismatches, could move many key commodity items either up or down in rapid order. Additional cost pressures from labour costs, the impact of European haulier regulations, and energy pricing, all add to the inflation burden for the sector. Supply side activities continue to present challenges, especially for lead times and availability, and our teams will continue to mitigate to ensure smooth operations across the factories and warehouses.

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7 of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8 of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any material changes in the related party transactions described in the last annual report that could do so.

Chris Smith

Chief Executive Officer

Mark Strickland

Chief Financial Officer

22 February 2022

Condensed interim consolidated income statement

		Unaudited Half year to 31 Dec 2021 £m	Unaudited Half year to 31 Dec 2020 £m	Audited Year ended 30 June 2021 £m
Continuing operations	Note			
Revenue	3	323.4	362.9	682.3
Cost of sales		(233.2)	(233.2)	(445.3)
Gross profit		90.2	129.7	237.0
Distribution costs		(30.8)	(29.7)	(56.0)
Administrative expenses		(74.2)	(84.3)	(165.2)
Impairment of fixed assets		0.1	(0.1)	(0.3)
Operating (loss)/profit		(14.7)	15.6	15.5
Finance costs		(2.1)	(2.1)	(4.2)
(Loss)/profit before taxation		(16.8)	13.5	11.3
Taxation		3.0	(3.6)	2.7
(Loss)/profit for the period from continuing operations		(13.8)	9.9	14.0
Discontinued operations				
Loss for the period from discontinued operations		—	(0.2)	(0.6)
(Loss)/profit for the period		(13.8)	9.7	13.4
(Loss)/earnings per ordinary share from continuing and discontinued operations attributable to the owners of the parent during the period				
Basic (loss)/earnings per share	6			
From continuing operations		(8.0)p	5.4p	7.8p
From discontinued operations		—	(0.1)p	(0.3)p
From (loss)/profit for the period		(8.0)p	5.3p	7.5p
Diluted (loss)/earnings per share	6			
From continuing operations		(8.0)p	5.4p	7.8p
From discontinued operations		—	(0.1)p	(0.3)p
From (loss)/profit for the period		(8.0)p	5.3p	7.5p
Operating (loss)/profit from continuing operations		(14.7)	15.6	15.5
Adjusted for:				
Amortisation of intangible assets	8	1.3	1.2	2.4
Exceptional items	4	(1.4)	2.2	6.2
Adjusted (loss)/operating profit from continuing operations		(14.8)	19.0	24.1
(Loss)/profit before taxation from continuing operations		(16.8)	13.5	11.3
Adjusted for:				
Amortisation of intangible assets	8	1.3	1.2	2.4
Exceptional items	4	(1.4)	2.2	6.2
Adjusted (loss)/profit before taxation from continuing operations		(16.9)	16.9	19.9

Condensed interim consolidated statement of comprehensive income

	Unaudited Half year to 31 Dec 2021 £m	Unaudited Half year to 31 Dec 2020 £m	Audited Year ended 30 June 2021 £m
(Loss)/profit for the period	(13.8)	9.7	13.4
Other comprehensive income/(expense)			
Items that may be reclassified to profit or loss:			
Currency translation differences on foreign subsidiaries	(1.5)	(1.6)	(4.6)
Gain on net investment hedges	1.0	1.0	3.7
Gain/(loss) on cash flow hedges	0.8	(0.1)	(0.1)
Cash flow hedges transferred to profit or loss	(0.2)	(0.5)	(0.5)
Taxation relating to items above	(0.1)	0.1	–
	–	(1.1)	(1.5)
Items that will not be reclassified to profit or loss:			
Net actuarial gain/(loss) on post-employment benefits	6.7	(2.9)	(4.2)
Taxation relating to item above	(1.6)	0.6	4.1
	5.1	(2.3)	(0.1)
Total other comprehensive income/(expense)	5.1	(3.4)	(1.6)
Total comprehensive (expense)/income	(8.7)	6.3	11.8
Total comprehensive (expense)/income attributable to equity shareholders arises from:			
Continuing operations	(8.7)	6.5	12.4
Discontinued operations	–	(0.2)	(0.6)
	(8.7)	6.3	11.8

Condensed interim consolidated balance sheet

		Unaudited As at 31 Dec 2021 £m	Unaudited As at 31 Dec 2020 £m	Audited As at 30 June 2021 £m
	Note			
Non-current assets				
Goodwill	8	19.7	19.8	19.7
Other intangible assets	8	7.6	8.1	8.2
Property, plant and equipment	8	122.1	135.9	129.8
Right-of-use assets	8	11.8	10.7	10.0
Derivative financial instruments	9	0.7	—	0.1
Deferred tax assets		23.2	14.5	22.8
		185.1	189.0	190.6
Current assets				
Inventories		96.4	95.8	92.9
Trade and other receivables		120.4	134.5	117.9
Current tax asset		5.0	4.7	3.7
Non-current assets classified as held for sale		1.6	—	1.6
Derivative financial instruments	9	1.3	0.6	0.2
Cash and cash equivalents	10	34.9	21.5	24.9
		259.6	257.1	241.2
Total assets		444.7	446.1	431.8
Current liabilities				
Trade and other payables		183.2	179.8	169.2
Borrowings	9	58.1	54.4	53.7
Lease liabilities	9	3.8	3.7	3.4
Derivative financial instruments	9	0.4	0.2	0.3
Current tax liabilities		5.4	11.1	4.2
Provisions		0.6	3.2	2.7
		251.5	252.4	233.5
Non-current liabilities				
Borrowings	9	88.9	73.0	78.3
Lease liabilities	9	9.0	8.0	7.9
Derivative financial instruments	9	—	0.2	—
Pensions and other post-employment benefits	11	23.4	32.6	31.9
Provisions		3.9	3.5	3.7
Deferred tax liabilities		6.5	6.4	6.7
		131.7	123.7	128.5
Total liabilities		383.2	376.1	362.0
Net assets		61.5	70.0	69.8
Equity				
Issued share capital		17.4	18.1	17.4
Share premium account		68.6	68.6	68.6
Other reserves		76.1	75.4	76.0
Accumulated loss		(100.6)	(92.1)	(92.2)
Total equity		61.5	70.0	69.8

Condensed interim consolidated cash flow statement

		Unaudited Half year to 31 Dec 2021 £m	Unaudited Half year to 31 Dec 2020 £m	Audited Year ended 30 June 2021 £m
	Note			
Operating activities				
Profit before tax				
Continuing operations		(16.8)	13.5	11.3
Discontinued operations		—	(0.2)	(0.7)
Finance costs		2.1	2.1	4.2
Exceptional items	4	(1.4)	2.4	6.9
Share-based payments charge		0.5	0.3	0.3
Depreciation of property, plant and equipment	8	8.5	8.4	17.6
Depreciation of right-of-use assets	8	2.0	1.9	3.8
Loss/(profit) on disposal of property, plant and equipment		0.3	(0.1)	0.4
Amortisation of intangible assets	8	1.3	1.2	2.4
(Write-back)/impairment of fixed assets		(0.1)	0.1	0.3
Operating cash flow before changes in working capital before exceptional items		(3.6)	29.6	46.5
(Increase)/decrease in receivables		(4.6)	2.2	13.2
(Increase)/decrease in inventories		(5.2)	0.4	(0.4)
Increase/(decrease) in payables		18.2	(16.0)	(22.2)
Operating cash flow after changes in working capital before exceptional items		4.8	16.2	37.1
Additional cash funding of pension schemes		(2.0)	(2.0)	(4.0)
Cash generated from operations before exceptional items		2.8	14.2	33.1
Cash inflow/(outflow) in respect of exceptional items		0.4	(5.0)	(8.0)
Cash generated from operations		3.2	9.2	25.1
Interest paid		(1.6)	(1.6)	(3.2)
Taxation received/paid		0.5	(3.7)	(7.3)
Net cash generated from operating activities		2.1	3.9	14.6
Investing activities				
Proceeds from sale of property, plant and equipment		—	0.2	0.2
Purchase of property, plant and equipment		(5.7)	(12.6)	(21.6)
Purchase of intangible assets		(0.7)	(0.8)	(2.2)
Settlement of derivatives used in net investment hedges		—	0.8	3.8
Net cash used in investing activities		(6.4)	(12.4)	(19.8)
Financing activities				
Redemption of B Shares	12	(0.1)	(1.7)	(2.0)
(Repayment)/drawdown of overdrafts	10	(4.5)	0.5	2.8
Drawdown of other loans	10	11.2	35.9	25.9
Drawdown of bank loans	10	10.6	—	76.2
Repayment of bank loans	10	—	(44.3)	(103.8)
Repayment of IFRS 16 lease obligations	10	(2.4)	(2.5)	(4.9)
Purchase of own shares		(0.1)	(1.5)	(6.8)
Purchase of own shares by employee benefit trust		—	—	(0.3)
Net cash generated/(used) in financing activities		14.7	(13.6)	(12.9)
Increase/(decrease) in net cash and cash equivalents		10.4	(22.1)	(18.1)
Net cash and cash equivalents at the start of the period		24.9	44.2	44.2
Currency translation differences		(0.4)	(0.6)	(1.2)
Net cash and cash equivalents at the end of the period		34.9	21.5	24.9

Condensed interim consolidated statement of changes in equity

	Other reserves						Total equity £m
	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Accumulated losses £m	
At 1 July 2021	17.4	68.6	(0.1)	(1.0)	77.1	(92.2)	69.8
Loss for the period	—	—	—	—	—	(13.8)	(13.8)
Other comprehensive (expense)/income							
Items that may be reclassified to profit or loss:							
Currency translation differences of foreign subsidiaries	—	—	—	(1.5)	—	—	(1.5)
Gain on net investment hedges	—	—	—	1.0	—	—	1.0
Gain on cash flow hedges in the year	—	—	0.8	—	—	—	0.8
Cash flow hedges transferred to profit or loss	—	—	(0.2)	—	—	—	(0.2)
Taxation relating to items above	—	—	(0.1)	—	—	—	(0.1)
	—	—	0.5	(0.5)	—	—	—
Items that will not be reclassified to profit or loss:							
Net actuarial gain on post-employment benefits	—	—	—	—	—	6.7	6.7
Taxation relating to items above	—	—	—	—	—	(1.6)	(1.6)
	—	—	—	—	—	5.1	5.1
Total other comprehensive expense	—	—	0.5	(0.5)	—	5.1	5.1
Total comprehensive income	—	—	0.5	(0.5)	—	(8.7)	(8.7)
Transactions with owners of the parent							
Redemption of B Shares	—	—	—	—	0.1	(0.1)	—
Share-based payments	—	—	—	—	—	0.5	0.5
Purchase of own shares	—	—	—	—	—	(0.1)	(0.1)
At 31 December 2021	17.4	68.6	0.4	(1.5)	77.2	(100.6)	61.5

	Other reserves						Total equity £m
	Issued share capital £m	Share premium account £m	Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m	Accumulated losses £m	
At 1 July 2020	18.3	70.6	0.5	(0.1)	74.2	(96.6)	66.9
Profit for the year	—	—	—	—	—	9.7	9.7
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences of foreign subsidiaries	—	—	—	(1.6)	—	—	(1.6)
Gain on net investment hedges	—	—	—	1.0	—	—	1.0
Loss on cash flow hedges in the year	—	—	(0.1)	—	—	—	(0.1)
Cash flow hedges transferred to profit or loss	—	—	(0.5)	—	—	—	(0.5)
Taxation relating to items above	—	—	0.1	—	—	—	0.1
	—	—	(0.5)	(0.6)	—	—	(1.1)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(2.9)	(2.9)
Taxation relating to items above	—	—	—	—	—	0.6	0.6
	—	—	—	—	—	(2.3)	(2.3)
Total other comprehensive expense	—	—	(0.5)	(0.6)	—	(2.3)	(3.4)
Total comprehensive income	—	—	(0.5)	(0.6)	—	7.4	6.3
Transactions with owners of the parent							
Issue of B Shares	—	(2.0)	—	—	—	—	(2.0)
Redemption of B Shares	—	—	—	—	1.7	(1.7)	—
Share-based payments	—	—	—	—	—	0.3	0.3
Shares bought back on market and cancelled	(0.2)	—	—	—	0.2	—	—
Purchase of own shares	—	—	—	—	—	(1.5)	(1.5)
At 31 December 2020	18.1	68.6	—	(0.7)	76.1	(92.1)	70.0

	Issued share capital £m	Share premium account £m	Other reserves			Accumulated losses £m	Total equity £m
			Cash flow hedge reserve £m	Currency translation reserve £m	Capital redemption reserve £m		
At 1 July 2020	18.3	70.6	0.5	(0.1)	74.2	(96.6)	66.9
Year ended 30 June 2021							
Profit for the year	—	—	—	—	—	13.4	13.4
Other comprehensive income/(expense)							
Items that may be reclassified to profit or loss:							
Currency translation differences of foreign subsidiaries	—	—	—	(4.6)	—	—	(4.6)
Gain on net investment hedges	—	—	—	3.7	—	—	3.7
Loss on cash flow hedges in the year	—	—	(0.1)	—	—	—	(0.1)
Cash flow hedges transferred to profit or loss	—	—	(0.5)	—	—	—	(0.5)
	—	—	(0.6)	(0.9)	—	—	(1.5)
Items that will not be reclassified to profit or loss:							
Net actuarial loss on post-employment benefits	—	—	—	—	—	(4.2)	(4.2)
Taxation relating to items above	—	—	—	—	—	4.1	4.1
	—	—	—	—	—	(0.1)	(0.1)
Total other comprehensive expense	—	—	(0.6)	(0.9)	—	(0.1)	(1.6)
Total comprehensive income	—	—	(0.6)	(0.9)	—	13.3	11.8
Transactions with owners of the parent							
Issue of B Shares	—	(2.0)	—	—	—	—	(2.0)
Redemption of B Shares	—	—	—	—	2.0	(2.0)	—
Share-based payments	—	—	—	—	—	0.3	0.3
Purchase of own shares	—	—	—	—	—	(6.8)	(6.8)
Purchase of own shares held by employee benefit trust	—	—	—	—	—	(0.3)	(0.3)
Transfers between reserves	(0.9)	—	—	—	0.9	—	—
Taxation relating to items above	—	—	—	—	—	(0.1)	(0.1)
At 30 June 2021	17.4	68.6	(0.1)	(1.0)	77.1	(92.2)	69.8

At 30 June 2021, the accumulated losses include a deduction of £0.5 million (30 June 2020: £0.2m) for the cost of own shares held in relation to employee share schemes.

Notes to the condensed interim consolidated financial information

1. Corporate information

McBride plc ('the Company') is a public company limited by shares incorporated and domiciled in the United Kingdom and registered in England and Wales. The Company's ordinary shares are listed on the London Stock Exchange. The registered office of the Company is Middleton Way, Middleton, Manchester M24 4DP. For the purposes of DTR 6.4.2R, the Home State of McBride plc is the United Kingdom.

The Company and its subsidiaries (together, 'the Group') is Europe's leading provider of private label and contract manufactured products for the domestic household and professional cleaning/hygiene markets. The Company has the scale to offer our development and manufacturing capabilities to customers in Europe and Asia Pacific.

2. Accounting policies

Basis of preparation

The interim financial statements for the six months period ended 31 December 2021 have been prepared on the basis of the accounting policies set out in the 2021 annual financial statements and in accordance with UK adopted IAS 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. The auditor's report on those 2021 accounts was not qualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006, but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern.

This interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2021 which were prepared in accordance with IFRS in conformity with the requirements of the Companies Act 2006 and IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies to the European Union. The financial statements have been prepared under the historical cost convention, modified in respect of financial assets and liabilities (derivative financial instruments) at fair value through profit or loss, assets held for sale and defined benefit pension plan assets.

In the year to 30 June 2022, the annual financial statements will be prepared in accordance with IFRS as adopted by the UK Endorsement Board. This change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy, but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

The results for each half year are unaudited and do not represent the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial information has not been reviewed or audited. The Group's statutory accounts were approved by the Directors on 10 September 2021 and have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. The report of PricewaterhouseCoopers LLP was (i) unqualified, (ii) included a reference to a material uncertainty related to going concern to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

Taxation

Taxation in the interim period is accrued using the tax rate that would be applicable to the expected annual profit or loss, adjusted for the tax effect of certain items recognised in full in the interim period.

New Accounting standards and interpretations effective during the period

No new or amended accounting standards that became effective during the period have had a significant impact on the Group.

New accounting standards and interpretations issued but not yet effective

None of the amendments issued but not yet effective are expected to have a significant impact on the Group, however, the Group will continue to consider these and any additional amendments, interpretations and new standards to identify potential future impact.

Going concern

In determining the appropriate basis of preparation of the financial statements for the six months to 31 December 2021, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The rapid and unprecedented rise in input costs and the ongoing macroeconomic supply chain challenges as a result of the Covid-19 pandemic have had a negative effect on the financial performance of the Group and has cast a degree of uncertainty as to the future financial performance and cash flows of the Group. In particular the Group's inability to immediately offset the significant input cost inflation by raising prices at which its products are sold to Private Label customers has resulted in a significant deterioration of the Group's profitability.

As announced on 22 December 2021, our banking group waived the December 2021 covenant tests. In reaching the agreement of the waiver, the Group agreed to maintain liquidity (cash plus facility headroom) of at least £40 million. Furthermore, the Group has agreed not to pay dividends until it is in compliance with its existing covenants. At 31 December 2021, liquidity amounted to £112.3 million.

In assessing the going concern assumptions, the Board has reviewed the Group's base case plans and considered reasonable worst case downsides.

The Group's base case financial forecast to 30 June 2023 assumes:

- c. 10% increase of raw material prices for H2 FY22 compared to 31 December 2021, then stabilisation at June 2022 levels for FY23;
- ongoing pricing actions with customers resulting in losses reducing in H2 FY22, before returning to EBITA profitability in FY23;
- interest rates remaining stable; and
- Sterling:Euro exchange rate of £1:€1.19.

The reasonable worst case downside scenario assumes lower profitability in the forecast period, resulting from higher input costs and/or lower margin recovery through pricing actions with customers.

The Group's base case and reasonable worst case downside scenario financial forecasts to 30 June 2023 provide confidence that liquidity will remain comfortably above the £40 million minimum level agreed with our banking group, but would mean that further covenant waivers or resets would need to be agreed with our banking group for the upcoming test dates of 30 June 2022 and 31 December 2022 and possibly also 30 June 2023. The Group is fully appreciative of the ongoing support of its banking group and will seek to agree the approach to future banking covenant testing requirements ahead of 30 June 2022.

After considering the current liquidity position, successes in offsetting input cost pressures through pricing actions, financial forecasts to June 2023 and the ongoing support of our banking group, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors believe that adopting the going concern basis in preparing the financial statements is appropriate and the financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern. However, the expectation of needing to agree further covenant waivers with our banking group, at the upcoming test dates of 30 June 2022 and 31 December 2022, and possibly also 30 June 2023, represent a material uncertainty at

22 February 2022 that could cast significant doubt upon the Group's ability to continue as a going concern.

The condensed interim consolidated financial statements were approved by the Board on 22 February 2022.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 30 June 2021.

Discontinued operations

During the 2019 financial year, the Group successfully completed the sale of the European Personal Care (PC) Liquids business. The financial results of this business have been treated as discontinued operations in the current and prior year financial statements. The remaining activities within the Group are referred to as continuing operations.

Alternative performance measures (APM)

The performance of the Group is assessed using a variety of adjusted measures that are not defined under IFRS and are therefore termed non-GAAP measures.

APM	Definition	Source
Adjusted operating profit	Operating profit before amortisation of intangible assets and exceptional items	Group income statement
Adjusted EBITDA	Adjusted operating profit before depreciation	Group income statement
Adjusted profit before tax	Adjusted profit before tax is based on adjusted operating profit less adjusted finance costs.	Group income statement
Adjusted earnings per share	Adjusted earnings per share is based on the Group's profit for the year adjusted for the items excluded from operating profit in arriving at adjusted operating profit	Note 6 Group income statement
Free cash flow	Free cash flow is defined as cash generated from continuing operations before exceptional items.	Group cash flow statement
Cash conversion %	Cash conversion % is defined as free cash flow as a percentage of adjusted EBITDA.	Group income statement Group cash flow statement
Adjusted return on capital employed	Adjusted ROCE is defined as rolling 12 months total adjusted operating profit from continuing operations divided by the average period-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables.	Group income statement Group balance sheet
Net debt	Net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.	Group balance sheet

The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Adjusted measures

Adjusted measures exclude specific items that are considered to hinder comparison of the trading performance of the Group's businesses either year-on-year or with other businesses. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee, and is used for internal performance analysis and in relation to employee incentive arrangements. The Directors present these measures in the financial statements in order to assist investors in their assessment of the trading performance of the Group. Directors do not regard these measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with IFRS.

During the periods under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items. Exceptional items and amortisation are excluded from adjusted operating profit because they are not considered to be representative of the trading performance of the Group's businesses during the period.

See note 16 'Additional information' for further information on alternative performance measures.

3. Segment information

Background

Financial information is presented to the Board by product technology for the purposes of allocating resources within the Group and assessing the performance of the Group's businesses.

Intra-Group revenue from the sales of products is agreed between the relevant customer-facing units and eliminated in the segmental presentation that is presented to the Board. Central overheads are allocated to a reportable segment proportionally using an appropriate cost driver. Corporate costs, which include the costs associated with the Board and the Executive Leadership Team, governance and listed company costs and certain central functions (mostly associated with financial disciplines such as treasury), are reported separately. Exceptional items are not allocated to the reportable segments as this reflects how they are reported to the Board. Finance expense and income are not allocated to the reportable segments, as the central treasury function manages this activity, together with the overall net debt position of the Group.

The Board uses adjusted operating profit to measure the profitability of the Group's businesses. Adjusted operating profit is, therefore, the measure of segment profit presented in the Group's segment disclosures. Adjusted operating profit represents operating profit before specific items that are considered to hinder comparison of the trading performance of the Group's businesses either period-on-period or with other businesses. During the periods under review, the items excluded from operating profit in arriving at adjusted operating profit were the amortisation of intangible assets and exceptional items. Adjusted operating profit is not defined under IFRS and is therefore termed a non-GAAP measure.

Period ended 31 December 2021	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Divisional revenue	182.8	81.6	32.8	15.8	10.4	—	323.4
Adjusted operating profit/(loss)	(10.2)	(0.4)	(1.4)	(0.8)	0.2	(2.2)	(14.8)
Amortisation of intangible assets							(1.3)
Exceptional items							1.4
Operating loss							(14.7)
Finance costs							(2.1)
Loss before taxation							(16.8)

Inventories	49.6	25.7	10.6	7.6	2.9	—	96.4
Capital expenditure	1.8	1.5	0.2	0.3	0.2	1.0	5.0
Amortisation and depreciation	6.5	3.0	0.7	0.2	0.7	0.7	11.8

Period ended 31 December 2020	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Divisional revenue	201.1	93.9	35.7	18.8	13.4	—	362.9
Adjusted operating profit/(loss)	10.1	10.0	(1.0)	0.9	1.7	(2.7)	19.0
Amortisation of intangible assets							(1.2)
Exceptional items							(2.2)
Operating profit							15.6
Finance costs							(2.1)
Profit before taxation							13.5

Inventories	43.8	27.1	13.5	7.9	3.5	—	95.8
Capital expenditure	6.7	2.7	0.3	0.3	1.6	1.2	12.8
Amortisation and depreciation	6.2	3.0	0.7	0.2	0.7	0.7	11.5

Year ended June 2021	Liquids £m	Unit Dosing £m	Powders £m	Aerosols £m	Asia Pacific £m	Corporate £m	Group £m
Continuing operations							
Divisional revenue	376.1	181.5	66.3	34.0	24.4	—	682.3
Adjusted operating profit/(loss)	11.7	16.7	(2.3)	0.8	1.9	(4.7)	24.1
Amortisation of intangible assets							(2.4)
Exceptional items							(6.2)
Operating profit							15.5
Finance costs							(4.2)
Profit before taxation							11.3

Inventories	45.0	24.6	12.4	8.4	2.5	—	92.9
Capital expenditure	12.4	5.7	0.7	0.5	2.3	3.0	24.6
Amortisation and depreciation	13.0	6.3	1.5	0.5	1.0	1.5	23.8

4. Exceptional items

Analysis of exceptional items

	Unaudited Half year to 31 Dec 2021 £m	Unaudited Half year to 31 Dec 2020 £m	Audited Year ended 30 June 2021 £m
Continuing operations			
Reorganisation and restructuring costs:			
Factory footprint review	(1.5)	0.1	0.3
Review of strategy, organisation and operations	(0.1)	1.7	4.4
Logistics transformation programme	0.1	—	1.1
UK Aerosols closure	0.1	0.4	0.4
Total continuing operations	(1.4)	2.2	6.2
Discontinued operations			
Sale of PC Liquids business	—	0.2	0.7
Total discontinued operations	—	0.2	0.7
Total	(1.4)	2.4	6.9

Exceptional items are presented separately as, due to their nature or the infrequency of the events giving rise to them, this allows users of the financial statements to understand better the elements of financial performance for the year, to facilitate comparison with prior periods, and to assess the trends of financial performance.

During the period ended 31 December 2021, the Group recognised exceptional items from continuing operations of £1.4 million credit (2020: £2.2m charge), as follows:

- exceptional credit of £1.5 million comprising £1.8 million profit on the disposal of the closed Barrow site, the sale proceeds for which were £2.6 million, and £0.3 million of site closure costs;
- exceptional credit of £0.1 million relating to the release of excess redundancy provisions in respect of Programme Compass;
- exceptional charge of £0.1 million relating to the Group's logistics transformation programme; and
- exceptional charge of £0.1 million in respect of legacy costs in relation to the former UK Aerosols site in Hull.

During the period ended 31 December 2020, the Group recognised total exceptional items of £2.4 million, of which £2.2 million was from continuing operations as follows:

- exceptional charge of £0.1 million relating to the closure costs for the Barrow production facility, which ceased operations in October 2020;
- exceptional charge of £1.7 million relating to Programme Compass comprises £0.8 million of redundancy costs, £0.7 million in consulting support and £0.2 million in other project expenses; and
- exceptional charge of £0.4 million in respect of one-off legacy costs in relation to the former UK Aerosols site in Hull.

The charges in relation to discontinued operations were as follows:

- exceptional charge of £0.2 million in respect of the impairment of a leased asset relating to the closed St Helens site.

5. Taxation

Reported loss before taxation from continuing operations was £16.8 million (30 June 2021: £11.3m profit). Adjusted loss before taxation from continuing operations was £16.9 million (30 June 2021: £19.9m).

The tax credit on continuing adjusted profit before tax for the year is £2.8 million (30 June 2021: £1.1m) and the effective tax rate is a charge of 17% (30 June 2021: 6% credit). The effective tax rate is lower than the previous year due to substantial losses in the UK offset by profits taxed at higher rates in foreign jurisdictions.

The Group forecasts an adjusted effective tax rate for the full year of 11%, before discrete items.

6. Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit for the period attributable to owners of the Company by the weighted average number of the Company's ordinary shares in issue during the financial period. The weighted average number of the Company's ordinary shares in issue excludes 629,200 shares (2020: 42,041 shares), being the weighted average number of own shares held during the year in relation to employee share schemes.

	Reference	Unaudited Half year to 31 Dec 2021	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
Weighted average number of ordinary shares in issue (million)	a	173.5	182.4	179.1
Effect of dilutive share incentive plans (million)		—	0.1	0.3
Weighted average number of ordinary shares for calculating diluted earnings per share (million)	b	173.5	182.5	179.4

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue assuming the conversion of all potentially dilutive ordinary shares.

During the period, the Company had equity-settled Long-Term Incentive Plan (LTIP) and Restricted Share Unit (RSU) awards with a nil exercise price that are potentially dilutive ordinary shares.

Adjusted earnings per share measures are calculated based on profit for the period attributable to owners of the Company before adjusting items as follows:

	Reference	Unaudited Half year to 31 Dec 2021 £m	Unaudited Half year to 31 Dec 2020 £m	Audited Year ended 30 June 2021 £m
From continuing operations				
Earnings for calculating basic and diluted earnings per share	c	(13.8)	9.9	14.0
Adjusted for:				
Amortisation of intangible assets (note 8)		1.3	1.2	2.4
Exceptional items (note 4)		(1.4)	2.2	6.2
Taxation relating to the above items		(0.2)	(0.3)	(1.6)
Earnings for calculating adjusted earnings per share	d	(14.1)	13.0	21.0

	Reference	Unaudited Half year to 31 Dec 2021 pence	Unaudited Half year to 31 Dec 2020 pence	Audited Year ended 30 June 2021 pence
Basic earnings per share	c/a	(8.0)	5.4	7.8
Diluted earnings per share	c/b	(8.0)	5.4	7.8
Adjusted basic earnings per share	d/a	(8.1)	7.1	11.7
Adjusted diluted earnings per share	d/b	(8.1)	7.1	11.7

		Unaudited Half year to 31 Dec 2021	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
	Reference	£m	£m	£m
From discontinued operations				
Losses for calculating basic and diluted earnings per share	c	—	(0.2)	(0.6)
Adjusted for:				
Exceptional items (note 4)		—	0.2	0.7
Taxation relating to the above items		—	—	(0.1)
Earnings for calculating adjusted earnings per share	d	—	—	—

		Unaudited Half year to 31 Dec 2021	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
	Reference	pence	pence	pence
Basic loss per share	c/a	—	(0.1)	(0.3)
Diluted loss per share	c/b	—	(0.1)	(0.3)
Adjusted basic loss per share	d/a	—	—	—
Adjusted diluted loss per share	d/b	—	—	—

		Unaudited Half year to 31 Dec 2021	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
	Reference	£m	£m	£m
Total attributable to ordinary shareholders				
Earnings for calculating basic and diluted earnings per share	c	(13.8)	9.7	13.4
Adjusted for:				
Amortisation of intangible assets (note 8)		1.3	1.2	2.4
Exceptional items (note 4)		(1.4)	2.4	6.9
Taxation relating to the above items		(0.2)	(0.3)	(1.7)
Earnings for calculating adjusted earnings per share	d	(14.1)	13.0	21.0

		Unaudited Half year to 31 Dec 2021	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
	Reference	Pence	pence	pence
Basic earnings per share	c/a	(8.0)	5.3	7.5
Diluted earnings per share	c/b	(8.0)	5.3	7.5
Adjusted basic earnings per share	d/a	(8.1)	7.1	11.7
Adjusted diluted earnings per share	d/b	(8.1)	7.1	11.7

7. Payments to shareholders

Dividends paid and received are included in the Company financial statements in the period in which the related dividends are actually paid or received or, in respect of the Company's final dividend for the year, approved by shareholders.

Future dividends will be final dividends paid annually in cash, not by the allotment and issue of B shares. Existing B shares will continue to be redeemable but limited to one redemption date per annum in November of each year. B Shares issued but not redeemed are classified as current liabilities.

Payments to ordinary shareholders made or proposed in respect of the period were as follows:

	Unaudited Half year to 31 Dec 2021⁽¹⁾	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
Interim	-	-	-
Final	n/a	n/a	n/a

1. Interim payment to shareholders that is not recognised within these condensed interim consolidated financial statements.

As set out in the Annual Report, the Group is targeting an accounting basis of net debt/adjusted EBITDA of 2x or less. As the ratio at half-year was over 2x, an interim payment to shareholders was not made.

Movements in the B Shares were as follows:

	Number 000	Nominal value £m
At 30 June 2020 (audited)	713,130	0.7
Issued	2,010,780	2.0
Redeemed	(1,669,075)	(1.7)
At 31 December 2020 (unaudited)	1,054,835	1.0
Issued	-	-
Redeemed	(307,436)	(0.3)
At 30 June 2021 (audited)	747,399	0.7
Issued	-	-
Redeemed	(81,511)	(0.1)
At 31 December 2021 (unaudited)	665,888	0.6

8. Intangible assets, property, plant and equipment and right-of-use assets

	Goodwill and other intangible assets £m	Property, plant and equipment £m	Right-of-use assets £m
Net book value at 1 July 2021 (audited)	27.9	129.8	10.0
Currency translation differences	—	(2.5)	—
Additions	0.7	4.3	3.8
Impairment write-back	—	0.1	—
Disposal of assets	—	(1.1)	—
Depreciation charge	—	(8.5)	(2.0)
Amortisation charge	(1.3)	—	—
Net book value at 31 Dec 2021 (unaudited)	27.3	122.1	11.8

Included within goodwill and other intangible assets is goodwill of £19.7 million (30 June 2021: £19.7m), computer software of £6.1 million (30 June 2021: £6.2m), brands of £0.2 million (30 June 2021: £0.3m) and customer relationships of £1.3 million (30 June 2021: £1.6m).

Capital commitments as at 31 December 2021 amounted to £2.0 million (30 June 2021: £1.8m). At 31 December 2021 the Group was committed to future minimum lease payments of £0.4m (30 June 2021: £3.0m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

9. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements and they should be read in conjunction with the Group's annual financial statements as at 30 June 2021. There have been no material changes in the risk management policies since the year end.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

	Unaudited As at 31 Dec 2021 £m	Unaudited As at 31 Dec 2020 £m	Audited As at 30 June 2021 £m
Assets			
Level 2:			
Derivative financial instruments			
Forward currency contracts	1.2	0.6	0.1
Interest rate swaps	0.7	—	0.1
Contracts for Difference (HDPE)	0.1	—	0.1
Total financial assets	2.0	0.6	0.3
Liabilities			
Level 2:			
Derivative financial instruments			
Forward currency contracts	(0.3)	(0.2)	(0.2)
Interest rate swaps	(0.1)	(0.2)	(0.1)
Total financial liabilities	(0.4)	(0.4)	(0.3)

Derivative financial instruments

Derivative financial instruments comprise the foreign currency derivatives, non-deliverable commodity derivatives and interest rate derivatives that are held by the Group in designated hedging relationships. Foreign currency forward contracts are measured by reference to prevailing forward exchange rates. Commodity forward contracts are measured by difference to prevailing market rates. Foreign currency options are measured using a variant of the Monte Carlo valuation model. Interest rate swaps and caps are measured by discounting the related cash flows using yield curves derived from prevailing market interest rates.

Valuation levels and techniques

There were no transfers between levels during the period and no changes in valuation techniques.

Financial assets and liabilities measured at amortised cost

The fair value of borrowings are as follows:

	Unaudited	Unaudited	Audited
	As at	As at	As at
	31 Dec	31 Dec	30 June
	2021	2020	2021
	£m	£m	£m
Current	61.9	58.1	57.1
Non-current	97.9	81.0	86.2
Total borrowings	159.8	139.1	143.3

The fair value of the following financial assets and liabilities approximate to their carrying amount:

- trade and other receivables;
- other current financial assets;
- cash and cash equivalents; and
- trade and other payables.

10. Net debt

Movements in net debt were as follows:

	Audited				Unaudited
	As at	IFRS 16			As at
	30 June	non-cash	Cash flow	Exchange	31 Dec
	2021	movements ⁽¹⁾	£m	differences	2021
	£m	£m		£m	£m
Cash and cash equivalents	24.9	–	10.4	(0.4)	34.9
Overdrafts	(5.9)	–	4.5	–	(1.4)
Bank and other loans	(126.1)	–	(21.8)	2.3	(145.6)
IFRS 16 lease liabilities	(11.3)	(4.0)	2.4	0.1	(12.8)
Total net debt	(118.4)	(4.0)	(4.5)	2.0	(124.9)

1. IFRS 16 non-cash movements includes additions (£3.8m) and interest charged (£0.2m).

11. Pensions and post-employment benefits

The Group provides a number of post-employment benefit arrangements. In the UK, the Group operates a closed defined benefit pension scheme and a defined contribution pension scheme. Elsewhere in Europe, the Group has a number of smaller unfunded post-employment benefit arrangements that are structured to accord with local conditions and practices in the countries concerned.

At 31 December 2021, the Group recognised a deficit on its UK defined benefit pension plan of £20.6 million (30 June 2021: £29.3m). The Group's post-employment benefit obligations outside the UK amounted to £2.8 million (30 June 2021: £2.6m).

Defined benefit schemes had the following effect on the Group's results and financial position:

	Unaudited Half year to 31 Dec 2021 £m	Unaudited Half year to 31 Dec 2020 £m	Audited Year ended 30 June 2021 £m
Profit or loss			
Service cost and administration expenses	(0.5)	(0.5)	(0.9)
Charge to operating profit	(0.5)	(0.5)	(0.9)
Net interest cost on defined benefit obligation	(0.3)	(0.2)	(0.4)
Charge to profit before taxation	(0.8)	(0.7)	(1.3)
Other comprehensive expense			
Net actuarial gain/(loss)	6.7	(2.9)	(4.2)
Other comprehensive expense	6.7	(2.9)	(4.2)

	Unaudited As at 31 Dec 2021 £m	Unaudited As at 31 Dec 2020 £m	Audited As at 30 June 2021 £m
Balance sheet			
Defined benefit obligations:			
UK – funded	(161.3)	(167.9)	(161.9)
Other – unfunded	(2.8)	(3.1)	(2.6)
	(164.1)	(171.0)	(164.5)
Fair value of scheme assets	140.7	138.4	132.6
Deficit on the schemes	(23.4)	(32.6)	(31.9)

For accounting purposes, the UK scheme's benefit obligation as at 31 December 2021 has been calculated based on data gathered for the 2021 triennial actuarial valuation and by applying assumptions made by the Group on the advice of an independent actuary in accordance with IAS 19. 'Employee Benefits'.

12. Share capital

	Allotted and fully paid	
	Number	£m
Ordinary shares of 10 pence each		
At 1 July 2020	182,840,301	18.3
Shares bought back on-market and cancelled	(2,136,319)	(0.2)
At 31 December 2020	180,703,982	18.1
Shares bought back on-market and cancelled	(6,461,280)	(0.7)
At 30 June 2021	174,242,702	17.4
Shares bought back on-market and cancelled	(185,374)	–
At 31 December 2021	174,057,328	17.4

Ordinary shares carry full voting rights and ordinary shareholders are entitled to attend Company meetings and to receive payments to shareholders.

During the half-year, the Group purchased and cancelled 185,374 ordinary shares. The shares were acquired at an average price of 77.0 pence per share, with prices ranging from 73.3 pence per share to 78.6 pence per share. The total cost of £0.1 million was deducted from equity. As previously announced, the Board ended the share buy-back programme during the period.

13. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and, therefore, are not required to be disclosed in these financial statements.

Key management compensation and transactions with the Group's pension and post-employment schemes for the financial year ended 30 June 2021 are detailed in note 29 (page 171) of McBride plc's Annual Report and Accounts 2021. A copy of McBride plc's Annual Report and Accounts 2021 is available on McBride's website at www.mcbride.co.uk.

14. Exchange rates

The principal exchange rates used to translate the results, assets and liabilities and cash flows of the Group's foreign operations into sterling were as follows:

	Unaudited Half year to 31 Dec 2021	Unaudited Half year to 31 Dec 2020	Audited Year ended 30 June 2021
Average rate:			
Euro	1.17	1.11	1.13
US Dollar	1.36	1.31	1.35
Polish Zloty	5.39	4.95	5.09
Czech Koruna	29.87	29.39	29.59
Danish Krone	8.73	8.23	8.40
Hungarian Forint	421.77	394.80	403.41
Malaysian Ringgit	5.71	5.42	5.55
Australian Dollar	1.86	1.81	1.80
Closing rate:			
Euro	1.19	1.11	1.17
US Dollar	1.35	1.36	1.39
Polish Zloty	5.47	5.07	5.27
Czech Koruna	29.58	29.19	29.70
Danish Krone	8.85	8.28	8.67
Hungarian Forint	439.37	404.76	409.86
Malaysian Ringgit	5.62	5.49	5.75
Australian Dollar	1.86	1.77	1.85

15. Key performance indicators (KPIs)

Management uses a number of KPIs to measure the Group's performance and progress against its strategic objectives. The most important of these are noted and defined below:

Financial:

- Continuing revenue: Revenue from contracts with customers from the sale of goods is measured at the invoiced amount, net of sales rebates, discounts, value added tax and other sales taxes.
- Cost savings: Cost savings achieved from the implementation of Compass strategy.
- Adjusted EBITDA margin advances: The calculation of Adjusted EBITDA, which when divided by revenues gives this EBITDA margin, is defined in the Adjusted measures section of Note 2 to the 2021 Accounts.
- Free cash flow increase: Free cash flow is defined as cash generated from continuing operations before exceptional items
- Adjusted ROCE: Total adjusted operating profit from continuing operations divided by the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables

Non-financial:

- Health and safety: The number of lost time Injuries x 100.000 divided by total number of man-hours worked.
- Customer service level: The volume of products delivered in the correct volumes and within requested timescales, as a percentage of total volumes ordered by customers.
- Gender split - female: The proportion of our workforce that is female.
- Customer quality: A customer satisfaction index which combines critical issues, audit results, returns and complaints.
- Research & development expenditure: Total research and development expenditure as a percentage of Group revenue.

16. Additional information

Alternative performance measures

The performance of the Group is assessed using a variety of adjusted measures that are not defined under IFRS and are therefore termed non-GAAP measures. A reconciliation for each non-GAAP measure to the most directly comparable IFRS measure, is set out below.

Adjusted operating profit and adjusted EBITDA

Adjusted EBITDA means adjusted operating profit before depreciation. A reconciliation between adjusted operating profit, adjusted EBITDA and the Group's reported statutory operating profit is shown below.

	Half year to 31 Dec 2021 £m	Half year to 31 Dec 2020 £m	Full year to 30 June 2021 £m
Operating (loss)/profit	(14.7)	15.4	14.8
Add back: operating loss from discontinued operations	—	0.2	0.7
Operating (loss)/profit from continuing operations	(14.7)	15.6	15.5
Exceptional items (note 4)	(1.4)	2.2	6.2
Amortisation of intangibles (note 8)	1.3	1.2	2.4
Adjusted operating (loss)/profit from continuing operations	(14.8)	19.0	24.1
Depreciation of property, plant and equipment (note 8)	8.5	8.4	17.6
Depreciation of right-of-use assets (note 8)	2.0	1.9	3.8
Adjusted EBITDA	(4.3)	29.3	45.5

Adjusted profit before tax

Adjusted profit before tax is based on adjusted operating profit less adjusted finance costs. The table below reconciles adjusted profit before tax to the Group's reported profit before tax.

	Half year to 31 Dec 2021 £m	Half year to 31 Dec 2020 £m	Full year to 30 June 2021 £m
(Loss)/profit before tax	(16.8)	13.3	10.6
Add back: loss before tax from discontinued operations	—	0.2	0.7
(Loss)/profit before tax from continuing operations	(16.8)	13.5	11.3
Exceptional items (note 4)	(1.4)	2.2	6.2
Amortisation of intangibles (note 8)	1.3	1.2	2.4
Adjusted (loss)/profit before tax from continuing operations	(16.9)	16.9	19.9

Adjusted earnings per share

Adjusted earnings per share is based on the Group's profit for the year adjusted for the items excluded from operating profit in arriving at adjusted operating profit

Free cash flow and cash conversion %

Free cash flow is one of the Group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe that free cash flow and cash conversion % are important indicators of our overall operational performance as they reflect the cash we generate from operations. Free cash flow is defined as cash generated from continuing operations before exceptional items. Cash conversion % is defined as free cash flow as a percentage of adjusted EBITDA. A reconciliation from net cash generated from operating activities, the most directly comparable IFRS measure, to free cash flow, is set out below.

	Half year to 31 Dec 2021 £m	Half year to 31 Dec 2020 £m	Full year to 30 June 2021 £m
Net cash generated from operating activities	2.1	3.9	14.6
Add back:			
Taxation paid	(0.5)	3.7	7.3
Interest paid	1.6	1.6	3.2
Cash outflow from exceptional items	(0.4)	5.0	8.0
Free cash flow	2.8	14.2	33.1
Adjusted EBITDA	(4.3)	29.3	45.5
Cash conversion %	nm	48%	73%

Adjusted return on capital employed (ROCE)

Adjusted ROCE serves as an indicator of how efficiently we generate returns from the capital invested in the business. It is a Group KPI that is directly relatable to the outcome of investment decisions. Adjusted ROCE is defined as rolling 12 months total adjusted operating profit from continuing operations divided by the average period-end capital employed. Capital employed is defined as the total of goodwill and other intangible assets, property, plant and equipment, right-of-use assets, inventories, trade and other receivables less trade and other payables. There is no equivalent statutory measure within IFRS. Adjusted return on capital employed is calculated as follows:

	31 Dec 2021 £m	31 Dec 2020 £m	31 Dec 2019 £m	30 June 2021 £m
Goodwill (note 8)	19.7	19.8	20.3	19.7
Other intangible assets (note 8)	7.6	8.1	8.8	8.2
Property, plant and equipment (note 8)	122.1	135.9	128.1	129.8
Right-of-use assets (note 8)	11.8	10.7	6.7	10.0
Inventories	96.4	95.8	90.2	92.9
Trade and other receivables	120.4	134.5	132.5	117.9

Trade and other payables	(183.2)	(179.8)	(165.1)	(169.2)
Capital employed	194.8	225.0	221.5	209.3
Average period-end capital employed	209.9	223.3	n/a	208.7
Adjusted operating (loss)/profit from continuing operations	(9.7)	35.7	n/a	24.1
Adjusted return on capital employed %	(4.6)%	16.0%	n/a	11.5%

Net debt

Net debt consists of cash and cash equivalents, overdrafts, bank and other loans and lease liabilities.

Net debt is a measure of the Group's net indebtedness that provides an indicator of overall balance sheet strength. It is a key indicator used by management to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net debt is considered to be an alternative performance measure as it is not defined in IFRS. A reconciliation from loans and other borrowings, lease liabilities and cash and cash equivalents, the most directly comparable IFRS measures to net debt is set out below:

	31 Dec 2021	31 Dec 2020	30 June 2021
	£m	£m	£m
Current assets			
Cash and cash equivalents	34.9	21.5	24.9
Current liabilities			
Borrowings (note 9)	(58.1)	(54.4)	(53.7)
Lease liabilities	(3.8)	(3.7)	(3.4)
	(61.9)	(58.1)	(57.1)
Non-current liabilities			
Borrowings (note 9)	(88.9)	(73.0)	(78.3)
Lease liabilities	(9.0)	(8.0)	(7.9)
	(97.9)	(81.0)	(86.2)
Net debt	(124.9)	(117.6)	(118.4)